

# PriceAlert

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## Average Wholesale Price

I have had many conversations regarding what "AWP" is and how FDB determines it. There is much folklore and misunderstanding as to the determination of AWP and how we obtain the data.

AWP is the average wholesale price. That is, AWP is the average of the prices charged by the national drug wholesalers for a given product (NDC), often referred to by FDB as the "Blue Book Price". The operative word is *average*. AWP was developed to provide a price, which all parties could agree upon.

In order to determine the AWP, First DataBank surveys national wholesalers to ascertain what the price is. This is based on their AWP price files. We contact the wholesalers to determine what the markup should be for a new company. First DataBank then confirms that the markup is accurate and current. A survey may be performed on a single NDC number or on a manufacturer's entire product line. In either case, a survey will be performed with all national wholesalers to determine the appropriate AWP.

With increased numbers of surveys done, the determination represents over two-thirds of the volume of the wholesalers, and is also representative of wholesalers on a national level. Because individual wholesalers may mark up each manufacturer differently, a weighted average, not a consensus average, is calculated. That is, the market share held by the wholesalers surveyed affects the markup factor proportionally. Therefore, wholesalers with higher drug dollar volumes have more weight in the determination of the final markup. Thus, a higher degree of certainty is achieved. We also consider the manufacturer's suggested wholesale price (SWP) in our determination.

Many customers are under the impression that the manufacturer sets the AWP. This is not true. FDB reports the wholesale price suggested by the manufacturer as "Suggested Wholesale Price (SWP)". The SWP is a different data element on the NDDF file for those customers who want to use SWP instead of AWP. Frequently, the SWP and AWP are the same. However, we are having more instances where they are different. We will populate the SWP with the new mark-up, but will survey the national wholesalers to determine AWP. The AWP will be populated with the wholesaler survey price even if it disagrees with the SWP.

In most cases, the results from surveys match what First DataBank is using. In the instances that they do not, it is First DataBank's policy to change the markup to report marketplace reality.

Kay Morgan

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